

CHARGES FOR MELTING BULLION.

JANUARY 5, 1881.—Referred to the House Calendar and ordered to be printed.

Mr. STEPHENS, from the Committee on Coinage, Weights, and Measures, submitted the following

REPORT:

[To accompany bill H. R. 6545.]

The Committee on Coinage, Weights, and Measures, to whom was referred bill H. R. 6545, report the said bill back with the unanimous recommendation that it do pass.

The reasons of this recommendation and of the propriety of the passage of the bill are fully set forth in a conference had by the committee with Hon. Horatio C. Burchard, the Director of the Mint, which is hereto annexed and presented as an appendix to this report.

WASHINGTON, December 20, 1880.

Notes of a conference between the Committee on Coinage, Weights, and Measures and the Hon. Horatio C. Burchard, Director of the Mint, in relation to the bill H. R. 6545, introduced on Monday, December 13, by Mr. Stephens, of Georgia, to amend section 3524 of the Revised Statutes.

The Chairman, Mr. STEPHENS. This special meeting of the committee is held to consider the bill introduced by me last Monday (H. R. 6545). Mr. Burchard, the Director of the Mint, is now present and prepared to give the committee his views upon that subject.

Mr. BURCHARD. Mr. Chairman and gentlemen of the committee: I was called upon last summer to revise the rules and instructions issued under the coinage act by the Director of the Mint (with the approval of the Secretary of the Treasury) for the regulation of the business of the mints and assay offices, and in preparing the regulations and instructions relating to the charges to be made at those offices upon bullion deposited there for bars or coinage, I found that there was considerable variance at many of the institutions, both in classification and in rates. Section 3524 of the Revised Statutes requires that the charges for the operations there named "shall be fixed, from time to time, by the Director of the Mint, with the concurrence of the Secretary of the Treasury, so as to equal, but not exceed, in their judgment, the average actual cost to each mint and assay office of the material, labor, wastage, and use of machinery employed in each of the cases aforementioned."

Now, this was a very difficult problem, requiring the collection of a great deal of statistical information, and in order to do the work intelligently, and to do it myself, instead of leaving it to each institution to fix its own charges, I came to the conclusion that operations of the same character, upon the same material, should be brought under one general classification.

In undertaking to bring about that result, the first question presented was in relation to the charge to be made for the first operation upon bullion after it has been weighed. The first step is to melt it, and for that there had been what was called a "deposit melting charge." I compared the existing regulations with the law, and found that section 3524 of the Revised Statutes contained this phraseology: "The charges for converting standard silver into trade dollars, for melting and refining when bullion is below standard," &c. Here, you see, are two distinct and dissimilar

operations, melting and refining, but they are united in this clause by the copulative conjunction. Now, the question presented was whether it was intended that there should be but one charge for both these operations, or whether the conjunction was used disjunctively in this case so as to make the real meaning of the law, "for melting or refining." I traced the history of the incorporation of that language into the coinage act, and found that a charge for refining was imposed as far back as 1800 on bullion below standard. The charge, then, was "for refining when bullion is below standard," and that phraseology stood until the passage of the coinage act, when the words "melting and" were inserted before the word "refining." I presume, from the examination I have made of the subject, that the intention was to authorize a charge for melting, for deposit melting on all bullion, but, unfortunately, if that was the intention, the charge was confined, by express language, to "melting when bullion is below standard."

I do not know of any reason in the nature of things why a deposit should not be liable to a charge for melting when the bullion is above standard. There is, however, an indefiniteness in the meaning of the word "standard." It means 900 fine of either gold or silver with 100 alloy; but our standard is 100 copper and 900 gold or 900 silver. That is our standard, and probably this phraseology was adopted when we were not producing much bullion in this country. Our importation was mostly of coin, and if it were at standard it required no refining, or if it were above standard it only required the incorporation with the bullion of the copper alloy to bring it down to standard, and on that there was to be no refining charge. Dealing with foreign bullion we had very little base alloy of lead or of other metals that we find now. By the term below standard it was then probably understood that the bullion contained more than one-tenth copper, and such bullion would need to be refined to remove the excess of copper.

The result of the examination I made was to satisfy me that the law did not authorize a deposit melting charge on bullion that was above or at standard. Such had been the practice at New York. The old instructions excepted gold coin from a melting charge, and gold bullion that was at or above standard; and the New York assay office, when the heavy importation of foreign coin came in, requested permission to make a melting charge. We have taken thirty or forty millions of foreign coin, as beautiful coin as ever were made in the world, and immediately melted them up and run them into bars, because they have to be melted before the fineness of the lot can be determined by the assay. The expense of this operation is quite considerable, and the New York assay office asked permission to impose a melting charge, but if those foreign coins were to be considered in this country as bullion and at or above standard, I did not see that such a charge was authorized.

Mr. WARNER. In the case of coins coming fresh from foreign mints, for instance, sovereigns from the British mint, when those coins are weighed at the New York assay office or at the Philadelphia mint, do you require an assay of them to be made, or do you accept the stamp of the foreign mint as a sufficient certificate of the fineness of the coins?

Mr. BURCHARD. They are emptied from the keg or package in which they come into a melting-pot, melted up and made of uniform consistency (they are very nearly so already, of course), then a chip is taken out of the bar and assayed before the value is calculated.

Mr. WARNER. Suppose, for instance, that 1,200 ounces of English sovereigns are received at the mint—that coin is supposed to be $\frac{11}{12}$ fine—that would be 1,100 of gold as certified by the stamp of the British mint; now, do you hesitate to pay for 1,100 ounces of gold upon the certificate of the stamp of the British mint, and require an assay of your own before you make payment?

Mr. BURCHARD. We do. There is no gold deposit at any of the mints or assay offices which is paid for, even approximately, until the certificate or report of the assayer has been received in regard to the fineness of the deposit, and the gold itself is melted in order to get it into a shape in which an assay can be made.

Mr. WARNER. I understand that; but I supposed that we accepted the stamp of the British mint, as ours is accepted in Great Britain. They accept our stamp upon our eagles as evidence that the gold is $\frac{9}{10}$ fine.

Mr. BURCHARD. Well, they probably have a different law on the subject from ours. One complaint made a few years ago was that approximate payments had been made upon fine gold bars. It was not charged that anybody had been wronged, but simply that the practice was in violation of law, and it was stopped. Lately, requests have been made to the Secretary, in fact within the last week, to allow such payments. It became necessary to consider the question whether, when foreign coins are deposited, payment can legally be made even of a portion of their value, before they have been melted, run into bars and assayed, and their value ascertained and reported and the certificate issued. My conclusion was that the law requires all these operations to be performed before payment can be made, because the law says that the payment shall be made "when the value is ascertained," and it points out that mode of ascertaining the value.

Mr. WARNER. But in such a case as I suppose the value would be ascertained simply by weighing the foreign coins, provided we were willing to accept the stamp of the foreign mint.

Mr. BURCHARD. Yes, it might be ascertained in that way if the law authorized it.

Mr. WARNER. Then, do you think it necessary for our own protection that coin coming to us from an established foreign mint, like that of Great Britain, for instance, should be melted and assayed before being accepted and paid for? Do we gain anything by insisting upon that?

Mr. BURCHARD. The principal, or perhaps the only, danger that we would have to guard against, if we accepted the stamp of the foreign mint, would be from counterfeit coin that might be contained in the deposit. Of course if you adopted such a rule, you could not well make any distinction between the coins of different countries. You would accept the stamps of all countries that have mints. Now, as deposits are received by weight, a package or cask or keg of coins would be poured into the scales and weighed, and would not, as we now do the business, be examined as they would when they are paid over the counter by *tale*. You would have to guard against counterfeits, and the only security you would have in such a case would be the guarantee of the depositor. You could receive the deposits in that way as we do in the case of the purchase of silver bullion. The authority to purchase silver bullion is placed absolutely in the Secretary of the Treasury. He is required to purchase so much silver bullion, and the transaction does not come under this deposit law. Under the regulations that he has issued in regard to the purchase of silver bullion, we permit, upon the weighing of the bullion, an approximate payment to be made, of 90 or 95 per cent., and the complete payment is made after the assay.

Mr. WARNER. My recollection is that the British mint admits only three classes of foreign coins without assay—the coins of Russia, the United States, and French Napoleons.

Mr. BURCHARD. The law might be modified so as to permit the transfer of the gold coins of such foreign countries as keep their coin up to the standard of fineness; the gold coins of those countries might be received at the assay office in New York and transferred without melting to Philadelphia, and there melted up.

Mr. WARNER. But why melt them at all, when they are probably to be returned abroad in a short time? We shall be shipping gold probably at no distant day, and if these foreign coins are not melted up you will have them in the shape of coin to send abroad, and, of course, when they are returned to the British mint or the Bank of England, they will be received at their nominal value.

Mr. BURCHARD. If you will make them a legal tender in this country and impose a charge for converting them into bars, then they will not come to the mints, but will remain unmelted. But if you do not make them a legal tender, my judgment is that our experience will be the same as the experience of other countries with different monetary units; the eagles and other coins of the United States may lie for a while in the banks abroad, but they do not go into general circulation, but ultimately are sent to the mints. So it is in England, and so it is in France.

Mr. WARNER. Of course they do not circulate, but out of the four hundred and fifty millions of gold in this country, three hundred millions at least is lying in bank vaults as bullion and does not circulate at all, and, of course, it might as well lie there in the form of British sovereigns as in the form of bars; it being quite as easily returned in that form as in the form of bars. These foreign coins coming in this country would, of course, naturally go to the assay office in New York or to the mint in Philadelphia, but I can see no reason why they should not be accepted by the United States and paid for in our coin, to be coined if they are required as coin, but otherwise to be held as bullion.

The CHAIRMAN. The only serious objection I see to that is the one stated by Mr. Burchard—the danger from counterfeits.

Mr. WARNER. That is an objection, but it is a question in my mind whether it is not fully offset by wastage in melting; for of course there is some slight wastage even of the gold in every melting that is made.

Mr. BURCHARD. You are now on another branch of the subject upon which I should be very glad to give the committee my views at some future time, but which does not perhaps come up directly for discussion under the provisions of the bill that you are now considering. However, if I may so far wander from the theme under consideration, I wish to say that if you will impose charges, as every other nation that has a mint does, substantially, for all operations performed upon bullion at the mints, including a coinage charge, it will have a tendency to keep foreign coin from the mints, and to cause it to remain in the banks awaiting a demand for its return abroad; or you will keep bars that are not needed, and ultimately will not be needed, for coinage in this country; you will keep them in the shape of bars awaiting shipment, instead of having them melted and coined at the expense of the United States and sent abroad in the form of our coin, only to be immediately melted up there, thus making a double

waste. By imposing a charge for all the operations that are performed upon the bullion at the mints that result can be attained.

Mr. WARNER. But, on the other hand, that will operate as a *seigniorage*, which will tend, to that extent, to prevent foreign gold and silver from becoming a part of our circulation?

Mr. BURCHARD. It will tend of course to keep a portion of the bullion of the country, and such portion as is not needed for the circulation of the country, from being converted into coin.

Mr. WARNER. Yes; and if you only put the *seigniorage* high enough you might exclude it from currency altogether.

Mr. BURCHARD. Yes. In my report, which is now in the hands of the printer, I refer to that subject, though I make no recommendation. As I have said, every nation that has a mint does substantially impose a coinage charge upon bullion deposited to be made into coin. France makes a heavier charge than we do. Great Britain calls it free, but does substantially make a charge; and I think that in the nature of things there ought to be such a charge, and I am satisfied that it would relieve us from the expense of making gold bars into coins which, at considerable waste and expense, are abroad run again into bars for coinage there. The fact is we treat importers of bullion better than we treat our own producers. We receive their coin; we do not, as Great Britain does, make them wait for their turn at the mint, for if we did it would take at least a year and a half before they would be paid; we receive their coin and hurry it through as rapidly as possible. At the New York assay office they melt three millions a day sometimes; they put their whole force upon it and in forty-eight or seventy-two hours after the reception of the bullion the importer is paid. But that is not all. The bullion of the importer is transported free from New York to Philadelphia and back again, and that is more than is done for our own western producers. In that respect we discriminate against American industry; we provide by law that the importer shall have his bullion transported from New York to Philadelphia and back again at the expense of the mint, while the men who produce bullion in the western States and Territories have to pay for its transportation to the mint.

Mr. WARNER. You say that the British mint makes a charge for these operations?

Mr. BURCHARD. I say that it does make a charge *substantially*.

Mr. WARNER. Can you tell us what the specific charge is; that is, upon what specific part of the work done at the mints the charge is made? I understand that no charge is made for coin or for converting American eagles into British sovereigns, for instance.

Mr. BURCHARD. The charter of the Bank of England, as you are perhaps aware, requires it to pay its own notes in exchange for gold bullion at £3 17s. 9d. The mint is required to pay for gold bullion at the rate of £3 17s. 10½d. There is 1½d. on every ounce, which is equivalent to $\frac{1}{1600}$ or $\frac{1}{16}$ per cent. Our charge is $\frac{1}{16}$.

Mr. WARNER. But there comes in also the element of time.

Mr. BURCHARD. Yes, but the mint keeps no bullion fund. They are required to wait their turn.

Mr. WARNER. Still the time is limited to 14 or 15 days, I think.

Mr. BURCHARD. No, they have to take their turn, and there are certain days set apart for receiving the bullion, and the consequence is that the Bank of England always has enough ahead so that the importers never go to the mint but go to the bank and make their exchange there. In addition to this, there is a charge by the bank for assaying, and also for melting, and then a deduction from the weight; so that altogether their charges are really heavier than ours. This is explained fully in the report of the silver commission, and my examination of the law confirms what is there set forth.

Mr. WARNER. That is, the British mint makes a charge for assaying, melting, and refining; but where coin comes in from the United States, Russia, or France, coin which is up to standard, or rather which is accepted as sufficiently certified, that is coined without charge, as I understand?

Mr. BURCHARD. I do not know of any regulation to that effect. The bank perhaps accepts American coin without charge, but I do not think that when it is brought to the mint an exception is made; I think a melting charge would have to be paid on foreign coin as well as bullion.

Mr. WARNER. But if you go to the Bank of England with bullion, you will not be paid until the bullion is assayed, and you pay for the making of the assay; but if, instead of bullion, you bring them American Eagles, you get your £3 17s. 9d. at once without any charge?

Mr. BURCHARD. Yes; but if you go to the mint to get British coin for it you must first have it refined up to the British standard, and therefore will have to pay these charges that I have spoken of.

Mr. WARNER. I understand not; but at all events, they only accept it in large quantities. They do, however, make a charge for assaying and refining, and that is all that the bill now under consideration proposes to do?

Mr. BURCHARD. Yes, that is all.

Mr. WARNER. Then this bill, if it became a law, would not alter the present law relating to coinage. There is no charge now for converting gold bullion into coin, as I understand?

Mr. BURCHARD. No.

Mr. WARNER. And this bill does not authorize the making of a charge for that, but simply permits a charge for melting, assaying, and converting gold as it comes into the mint, into gold bars with the certificate of the United States as to weight, fineness, and value put upon it. I think it is very proper that there should be a charge for melting, assaying, and refining when we do that.

The CHAIRMAN. Mr. Burchard, will you now proceed in the line of statement that you were on before this digression commenced?

Mr. BURCHARD. I think I have about finished all that I had to say in explanation of the defect in the present law. The difficulty, however, is not confined merely to the charge for melting. Some bullion is brought to the mint which contains other metals, contains, perhaps, 950 thousandths of silver, 30 of copper, 20 of lead, and no gold. It is not necessary to charge for parting the precious metals, but there is a necessity for a refining charge. Now is not bullion containing 950 thousandths silver, 30 of copper, and 20 of lead above standard? Without refining it you cannot use it at all. A charge for *toughening* might perhaps be made when the bullion contains other metals which render it unfit for coinage, but that does not cover the case.

Mr. WARNER. Do you not charge now for refining when there is any other metal mixed with either silver or gold?

Mr. BURCHARD. We do; in the case of silver especially; but in the case of gold one of the difficulties arises that we find in construing the law. Some time ago I asked a gentleman who has been in the assay office in New York for twenty-five years, "What is the meaning of the word *standard*?" He said that he understood it to mean 900 fine. I supposed such a case as I have stated here, and asked him, "Is that standard?" He said he supposed it was standard. The strict and proper interpretation of the word "*standard*" implies, I think, a fineness for gold bullion of 900 gold and 100 copper alloy, or 90 copper and 10 silver alloy, but if the bullion contains 950 parts gold, 30 copper, and 20 lead, it is doubtful whether, although not standard technically, it can be called above standard, because of the presence of a metal other than gold, silver, and copper, the only metals permitted in our standard. But since the law authorizing a refining charge was first passed the character of our gold bullion has changed; it no longer consists chiefly of foreign coins; most of it now contains other metals; and this occasions the ambiguity I have spoken of.

Mr. WARNER. Do you use any silver in the alloy in coining gold?

Mr. BURCHARD. We allow ten thousandths.

Mr. WARNER. But in coining silver, of course the alloy is all copper.

Mr. BURCHARD. Yes.

Mr. WARNER. But suppose that in a lot of gold bullion for coinage you should find a foreign substance, as, for instance, iridium, which would interfere with the stamping, being harder than gold, what would you do in such a case?

Mr. BURCHARD. If there was $\frac{1}{2}$ or $\frac{1}{4}$ per cent. of lead or iridium we would impose a *toughening* charge, that process being a sort of refining. Originally the expression was "*toughening or refining*."

Mr. WARNER. That is, you charge for the process of extracting that foreign substance?

Mr. BURCHARD. The law provides that when the bullion contains metals which render it unfit for coinage such a charge may be made.

Mr. WARNER. And that would be such a case?

Mr. BURCHARD. Yes; but one of the practical difficulties that arises is this: The appropriation acts appropriate, for the expenses of parting and refining, the charges that are collected from depositors for those operations, and as we try to be careful not to use moneys other than those that Congress actually appropriates for the purpose, question has arisen as to what charges properly enter into the account for parting and refining, and I have had to give such a construction of the law as seemed to me most reasonable. The operation of melting is a case in point. Is melting an expense which belongs to the account for parting and refining? Suppose a man brings his bullion to the mint to have it parted and refined and to be paid in either coin or bars. The first thing to be done is to melt it; the melting is an incident, an element in the parting and refining; and, therefore, instead of making a distinct deposit melting-charge, I have directed, in my instructions, which went into force on the 1st of October, that there should be a charge made on the deposit as a part of the charge for parting and refining, without calling it a melting charge. I think, however, it would be better to have a deposit melting-charge on each deposit as it comes in, no matter what is done with it afterwards. Substantially we do charge it, excepting on gold bullion that is not to be parted and refined; but in the latter case, I hold, and I have so instructed the officers, that there is no law which authorizes a deposit melting-charge upon gold bullion at or above standard not required to be parted or refined. The melting of such

bullion must be done without charge, as the law now stands, though I cannot see any reason why it should be so.

Mr. WARNER. Unless it is held as foreign coin, every charge of that kind operates as a tariff upon the importation of gold bullion.

I now move that the committee authorize the chairman to report this bill back to the House with the recommendation that it be passed, and that he be authorized, if it seems to him necessary, to ask a suspension of the rules, in order to put it upon its passage.

The question was put on the motion of Mr. Warner, which was unanimously agreed to.

At the request of the chairman, Mr. Warner read section 3524 of the Revised Statutes as it will stand amended if the bill now under consideration be passed, as follows:

"The charges for converting standard silver into trade dollars, for melting or refining bullion, for toughening when metals are contained in it which render it unfit for coinage, for copper used for alloy and when the bullion is above standard, for separating the gold and silver when those metals exist together in the bullion, and for the preparation of bars, shall be fixed from time to time by the Director with the concurrence of the Secretary of the Treasury, so as to equal but not exceed, in their judgment, the actual average cost to each mint and assay office of the material, labor, wastage, and use of machinery employed in each of the cases afore mentioned."